#### **DEPARTMENT OF FINANCE BILL ANALYSIS**

AMENDMENT DATE: May 31, 2011 BILL NUMBER: SB 493
POSITION: Oppose AUTHOR: A. Padilla

# **BILL SUMMARY: State Surplus Property**

This bill, an urgency measure, would allow state agencies to sell surplus computers for less than fair market value to nonprofit entities partnering with school districts to operate public computer centers.

## FISCAL SUMMARY

The Department of General Services (DGS) estimates this bill would require \$50,000 to support one position to develop and implement a certification process for each state agency regarding the proper elimination of confidential or sensitive data from surplus PCs and to establish a procedure for state agencies with surplus computers to determine if eligible nonprofits are interested in purchase of surplus PCs. Any request for additional expenditure authority is subject to review and approval through the annual budget process.

To the extent that surplus PCs are purchased by nonprofit entities, the DGS could experience a reduced level of auction revenue from the sale of PCs to the public. Any auction revenue beyond the cost incurred by DGS to sell property is returned to departments, presumably helping to offset operating costs. Since it is unknown how many PCs would be purchased by the grantees, the DGS is unable to forecast the impact to revenue.

### **COMMENTS**

The Department of Finance opposes this bill for the following reasons:

- This bill is unnecessary as current law allows for school districts to receive PCs. Upon receipt, the PCs become property of the school district and could be given to public computer centers.
- Would result in additional costs that are not included in the Administration's current fiscal plan.
- · Will reduce DGS auction revenues.
- Sets a precedent of selling state surplus property at below market value to non-state entites.

Current law requires the DGS to first offer state surplus personal property to school districts, prior to offering that property to the public, as specified. If determined by the director of DGS that it is in the state's best interest, property offered to school districts may be priced at less than fair market value.

This bill would allow state agencies to sell surplus PCs, at less than fair market value, to nonprofit entities operating a public computer center, in partnership with a school district.

Currently, school districts purchase approximately 260 surplus PCs, or about 2 percent, annually. Departments are able to sell the PCs to the districts directly and report the sale to DGS. Once a school district purchases a surplus PC, the school district can do as it wishes with the PC, including donating it to nonprofit entities for use in a public computer center. However, since operating systems and software are removed from the surplus PCs prior to sale, it is generally more cost effective for schools to purchase new PCs, which are functional and under warranty. This being the case, it is uncertain that the nonprofit entities (continued)

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Department Deputy Director		Date		
Governor's Office:	Ву:	Date:	Position Approved Position Disapproved	
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)	

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# **COMMENTS** (continued)

would want to purchase these PCs, even priced below market value. Additionally, selling surplus state property to non-state entities at below market value will set a precedent for selling property at a loss to the state in the future.

This measure also requires the DGS to establish a procedure for state agencies with surplus computers to determine if eligible nonprofits are interested in purchase of surplus PCs and agencies to certify that all confidential, sensitive, and personal information is removed from the PCs.

The urgency clause in this bill intends to provide recipients of grants under the federal American Recovery and Reinvestment Act (ARRA) of 2009 the opportunity to purchase these surplus PCs. However, implementation of this bill is unlikely to be completed prior to expiration of ARRA funds, which for most programs is June 30, 2011.

	SO		(Fiscal Impact by Fiscal Year)	
Code/Department	LA		(Dollars in Thousands)	
Agency or Revenue	CO	PROP	F	Fund
Туре	RV	98	FC 2010-2011 FC 2011-2012 FC 2012-2013 (	Code
1760/Dept Gen Svc	SO	No	C \$50	0666
1614/Misc Revenue	RV	No	See Fiscal Summary	0666
1614/Misc Revenue	RV	No	See Fiscal Summary	0001
1614/Misc Revenue	RV	No	See Fiscal Summary	0494
1614/Misc Revenue	RV	No	See Fiscal Summary	0988

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0494	Other - Unallocated Special Funds
0666	Service Revolving Fund
0988	Other - Unallocated NGC Funds